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HERSHEY CHOCOLATE CORPORATION

AND

AFFILIATED COMPANIES

CONSOLIDATED BALANCE SHEET

December 31, 1927

AND

STATEMENT OF CONSOLIDATED PROFIT AND LOSS ACCOUNT

From October 31, 1927 (Date as of Which Chocolate and Cocoa
Properties and Business of Hershey Chocolate Company
Were Acquired) to December 31, 1927

Together with

Auditors' Certificate



HERSHEY CHOCOLATE CORPORATION AND AFFILIATED COMPANIES
CONSOLIDATED BALANCE SHEET--DECEMBER 31, 1927

ASSETS

Current Assets:			
Cash in banks and on hand.....			\$ 3,214,672.80
Accounts receivable.....		\$1,884,571.26	
Less—Reserve for bad debts and discounts.....		311,186.86	1,573,384.40
Inventories of raw materials, goods in process and finished goods, at cost or market, whichever lower.....			7,620,568.22
TOTAL CURRENT ASSETS.....			\$12,408,625.42

Working Assets:			
Supplies, repair parts, etc.....			\$ 276,597.50
Salesmen's advances, prepaid insurance, taxes, etc.....		54,653.01	331,250.51

Plant and Property:	Gross Book Value	Less-Reserve for Depreciation	Net Book Value
Particulars			
Land.....	\$ 114,692.81	\$	\$ 114,692.81
Buildings and Improvements.....	5,379,953.36	1,735,226.94	3,644,726.42
Machinery, Equipment and Fixtures.....	7,761,374.17	4,353,605.51	3,407,768.66
	<u>\$13,256,020.34</u>	<u>\$6,088,832.45</u>	<u>\$7,167,187.89</u>
New York Properties.....	1,474,200.81	196,152.08	1,278,048.73
TOTAL.....	<u>\$14,730,221.15</u>	<u>\$6,284,984.53</u>	<u>\$8,445,236.62</u>
			<u>8,445,236.62</u>
			<u>\$21,185,112.55</u>

LIABILITIES AND CAPITAL

Current Liabilities:			
Accounts and wages payable.....			\$ 720,867.09
Accrued items—			
U. S. federal income taxes (subject to review by treasury department).....			\$551,380.90
State taxes, liability insurance, etc.....			860,746.81
Dividends on prior preferred and preference stocks.....			287,500.00
TOTAL CURRENT LIABILITIES.....			\$ 2,420,494.80

Note: Sinking fund installment for retirement of prior preferred stock to be set aside February 15, 1928.....

\$483,750.00

Capital Stock and Surplus:			
Capital stock issued—			
Prior preferred stock-6% cumulative, 150,000 shares par value \$100.00 each, redeemable at \$107.50 per share.....			\$15,000,000.00
Convertible preference stock-350,000 shares of no par value (at stated value) (*)....			350,000.00
Common stock-650,000 shares of no par value (at stated value).....			650,000.00
			<u>\$16,000,000.00</u>
Surplus at organization.....			2,303,382.68
Earned surplus December 31, 1927.....			461,235.07
			18,764,617.75
			<u>\$21,185,112.55</u>

(*) The Convertible Preference Stock is entitled to cumulative dividends at the rate of \$4.00 per share per annum plus an extra dividend of \$1.00 per share in any year in which dividends are declared or paid on the Common Stock. Upon any distribution of capital assets the Convertible Preference Stock is entitled to receive \$50.00 per share and accumulated unpaid dividends (if any) before any distribution to the Common Stock, and shares equally per share with the Common Stock in any distribution of the balance until the Convertible Preference Stock receives a total of \$100.00 per share and accumulated unpaid dividends (if any).

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**HERSHEY CHOCOLATE CORPORATION
AND AFFILIATED COMPANIES**

STATEMENT OF CONSOLIDATED PROFIT AND LOSS ACCOUNT

FROM OCTOBER 31, 1927 (DATE AS OF WHICH CHOCOLATE AND COCOA PROPERTIES
AND BUSINESS OF HERSHEY CHOCOLATE COMPANY WERE
ACQUIRED) TO DECEMBER 31, 1927

<u>Particulars</u>	<u>Amount</u>
NET SALES.....	\$6,473,435.51
COST OF GOODS SOLD (See note)	5,165,330.16
GROSS PROFIT	\$1,308,105.35
LESS-Shipping, selling and administrative expenses.....	421,018.46
NET OPERATING PROFIT.....	\$ 887,086.89
OTHER INCOME AND DEDUCTIONS (including federal taxes) net.....	138,351.82
SURPLUS NET INCOME (see note).....	\$ 748,735.07
DEDUCT-Dividends accrued to December 31, 1927: Prior preferred stock (6% cumulative)	\$112,500.00
Convertible preference stock (at the rate of \$4.00 per share per annum)	175,000.00 287,500.00
SURPLUS, per balance sheet.....	<u>\$ 461,235.07</u>

Note: After crediting \$500,000.00 from reserve provided by predecessor company
for inventory price adjustments.

**ARTHUR ANDERSEN & Co.
ACCOUNTANTS AND AUDITORS**

MEMBERS AMERICAN INSTITUTE OF ACCOUNTANTS

67 WALL STREET

NEW YORK

AUDITORS' CERTIFICATE

We have examined the accounts of the Hershey Chocolate Corporation and Affiliated Companies from October 31, 1927 (date as of which chocolate and cocoa properties and business of Hershey Chocolate Company were acquired) to December 31, 1927, and certify that, in our opinion, the accompanying Consolidated Balance Sheet and Statement of Consolidated Profit and Loss Account fairly present the financial position of the companies at December 31, 1927, and the results from operations for the two months ended that date.

ARTHUR ANDERSEN & CO.

New York,
March 1, 1928.

The foregoing statement of consolidated profit and loss account of HERSEY CHOCOLATE CORPORATION and affiliated companies is for two months, November and December 1927.

That the profit and loss account of the business (acquired by HERSEY CHOCOLATE CORPORATION as of October 31, 1927), for the calendar year 1927 may be available for the information of those interested who desire it, there is set forth below the statement of the profit and loss account of the chocolate and cocoa properties and business of HERSEY CHOCOLATE COMPANY for the preceding ten months ended October 31, 1927, adjusted to exclude interest charges and Federal taxes actually accrued, deducting Federal income taxes at the present rate of 13½% of net income.

**HERSEY CHOCOLATE COMPANY AND AFFILIATED COMPANIES
STATEMENT OF PROFIT AND LOSS ACCOUNT OF CHOCOLATE AND COCOA
PROPERTIES AND BUSINESS FOR THE TEN MONTHS
ENDED OCTOBER 31, 1927**

ADJUSTED TO ELIMINATE INTEREST CHARGES AND TO STATE FEDERAL INCOME TAXES
AT 13½ PERCENT PER ANNUM IN LIEU OF ACTUAL TAXES ACCRUED

<u>Particulars</u>	Six Months ended June 30 1927	Four Months ended October 31 1927	Ten Months ended October 31 1927
NET SALES.....	\$17,957,339.58	\$13,405,114.85	\$31,362,454.43
COST OF GOODS SOLD (See Note).....	13,146,421.79	10,581,256.86	23,727,678.65
GROSS PROFIT.....	4,810,917.79	2,823,857.99	7,634,775.78
LESS-Shipping, selling and administrative expense.....	1,341,878.91	933,139.66	2,275,018.57
NET OPERATING PROFIT.....	3,469,038.88	1,890,718.33	5,359,757.21
OTHER INCOME AND DEDUCTIONS (Net).....	304,180.75	167,403.54	471,584.29
NET INCOME BEFORE FEDERAL INCOME TAXES.....	3,164,858.13	1,723,314.79	4,888,172.92
DEDUCT-Federal Income taxes at present rate of 13½% per annum in lieu of actual taxes accrued.....	427,255.84	300,147.50	727,403.34
NET INCOME ON BASIS STATED.....	<u>2,737,602.29</u>	<u>1,423,167.29</u>	<u>4,160,769.58</u>

Note:- Period of four months ended October 31, 1927 includes provision of \$500,000.00 for reserve for inventory price adjustments.